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THE RELATIVE IMPORTANCE OF OUR FOREIGN TRADE.

NOTWITHSTANDING some minor shocks in financial circles, this country still finds itself in a state of self-satisfaction. Since the business revival in 1898 the greatest pains have been taken by our newspapers, our magazines, our reviews, and our orators to trace each step of our country's progress and make it known to the people with all the dispatch permitted by telegraph and telephone. Probably the bad effects on the public of this systematic boom predominate over the good.

The good side of jingo writing is that after all it gives us news, partial though it be, and we are permitted to draw the inference that there are in existence other nations. Now, this is a most important point, and one that will be extensively noticed in these remarks. On the other hand, the bad in the vulgar gospel of success that has recently been so pressed upon the community is, in the first place, that it is one-sided, stating all of the favorable facts and none of the unfavorable ones; and in the second, that this one-sidedness leads us to exaggerate our importance in the industrial world and lulls us into a false sense of security. I shall attempt, therefore, to state more impartially than usual the facts concerning the great industrial progress that has been made undoubtedly and most fortunately by this country, along with others, in recent years.

The usual items of economic progress are included in statements of wealth, population, production, and commerce. Taking the period just before the recent boom, we find that, notwithstanding the severe crisis of 1893 and the depression which accompanied it, the wealth of the United States was estimated in 1888 as 61 billion dollars and in 1896 as 81.7 billions, an increase of 33 per cent. For the same period the wealth of twenty-two principal countries of the world increased only from 316.5 billions to 351.9 billions, or 11 per cent. In the same period the wealth of England increased from 54 billions to 59 billions, that of France

from 44 billions to 48 billions, and that of Germany from 38 billions to 40 billions. While, therefore, the increase of the wealth of the United States was three times as fast as that of the world and more than three times that of the oldest countries of Europe, it remains to inquire whether in all the other elements of civilization—in arts, science, and literature—our progress was equally great.

What we seek is progress. This self-adulation, so far as it is posited upon increase in wealth and trade, in its excesses implies a belief that progress consists in these things alone. We may grant the need of a physical basis for the superstructure of progress, but we must positively affirm that this basis is vain if it remains only a basis and bears no superstructure ultimately. France has increased her so-called wealth and commerce less than some other even of the old nations in recent years; and yet perhaps we would concede France to be the most advanced of nations. Increase of wealth is but a part of the story of progress: if ours is rapid, that is because we had a small beginning; if it is great, that is because a new world was given, and an old world sent to it men and ideas; but it cannot be permanently the greatest, because other countries, like Russia, China, and the British empire, are larger, and combinations still larger may be formed, and because there is other wealth that transcends economic wealth.

But still the business of this paper is with this part-progress known as "economic." Within this narrow field we have to determine the space occupied by our own country, important indeed, though limited. While our object is to estimate its present position, we are often compelled to glance at the past for at least a partial explanation. Estimates of wealth are arbitrary and uncertain. Wealth is only truly economic in so far as it may be regarded as income-giving capital. The various business enterprises of a country are therefore what we must look to for income. In reviewing in a summary way the income-giving power of our country's business, the grand division of commerce attracts our attention as at once important and worth while, since it offers the most available statistics.

From 1720 to 1889 the world's commerce increased forty

times, and from 1800 to 1889, eleven times. Since the share of the United States in the world's commerce was only 10 per cent. so late as 1889, it would seem that it could have had little share in the previous enormous increase. Indeed, if we take the period from 1800 to 1889, we find that, while the commerce of Great Britain, France, and Germany has increased, roughly, twelve times, that of the United States has increased but seven times, or hardly more than half as fast. In fact, if we extend the period and take in a round hundred years from 1801 to 1901, and compare the foreign commerce of the United States with that of England, we find that, while a century ago the foreign commerce of the United States was 62 per cent. of that of the United Kingdom, now, in 1901, it is but 54 per cent.

The reason for this relative decline of commerce is of course not to be found in the decline of our shipping, to be treated hereafter, for our foreign commerce counts just as much when freighted under foreign flags as under our own. It was, however, the enormous expansion of our shipping before the peace of Amiens (1802), and again after the renewal of the continental wars in 1804, that contributed to the early and almost premature development of our commerce. It was a commerce not so much stimulated by our own products as by our transshipments of foreign goods; so that this distant country, far from the centers of civilization, was made the base of the world's commercial operations. In 1806 the foreign exports of the United States amounted to one and a half times the domestic exports; in 1902 the foreign exports of the United States amounted to but one fifty-second part of the domestic exports. While it is a pleasant thing that our commerce is now fed from domestic sources, it is worth noting that the process has been one of changing the composition of our exports rather than that of more rapid commercial expansion here than abroad.

After all, the fundamental phenomenon in the progress of the United States has been the rapid increase of population. For commerce to increase as fast as population among a people long poor and engaged in clearing a primæval wilderness would indeed hardly be expected. Accordingly, we find that the commerce of

Europe increased from 1850 to 1894 six times as fast as the population, which of course is not true of the United States, the population of which has increased much more rapidly than that of Europe. Comparing the United States with the United Kingdom, the population of the United States from 1820 to 1890 increased seven times, while that of England increased two and a half times. Thus the population of the United States increased over three times as fast as that of England, while its commerce only increased half as fast.

So far we have carried the comparison only up to about the year 1890. But we are chiefly concerned with the period since 1890, and for that period we find our commercial relations with the rest of the world quite reversed. It still holds true, indeed, for the long period of our national history that we cannot show an increase of commerce so great as that of some foreign countries; but for the last decade of the nineteenth century we did for a while most emphatically reverse the situation.

In the first place, let us take the period just covering the crisis years, 1890, 1893, 1896, and including a world-wide depression: we find that the foreign commerce of the United States actually increased by 100 million dollars, while that of France and England decreased by a like amount. However, in this period one country surpassed the United States: the commerce of Germany increased by 150 millions, or one-half more than that of the United States. Europe recuperated from the general depression earlier than the United States; this gave her purchasing power and credit; but the United States, suffering from the recent crisis, was glad to sell at very low prices. Accordingly, we find the increase in commerce to consist in exports of manufactures which rose from 138 millions in 1889 and 156 millions in 1893 to 228 millions in 1896 and 433.8 millions in 1900.

As these remarkable figures indicate, the really great things in our commercial expansion occurred in the five short years from 1895 to 1900. Exports of manufactures rose in this short period from 183.5 millions to 433.8 millions, or 237 per cent. Now, comparing this increase in commerce with that of the world for about the same period—a period truly epoch-making

in the world's commerce, and the one in which the United States for the first time stands boldly forth as leader and exemplar—we find that in 1901 the world's commerce had risen to 20.5 billions, an increase in five years of hardly 12 per cent. Probably a large part of this increase was due to rise in prices. In the same period the foreign commerce of the United States had risen to 2.2 billions, an increase of 33 per cent.; that of England had risen to 3.9 billions, an increase of 14 per cent.; and that of Germany and France show about the same increase.

The remarkable point, undoubtedly, in our recent commercial expansion has been the increase in our exports. Between 1896 and 1901 the total foreign trade of the United States rose from 1.6 billions to 2.2 billions, an increase, as already remarked, of 33 1-3 per cent. Meanwhile the exports rose from 883 millions to 1.4 billions, or 66 per cent.; and 1896 was not a bad year, the only year in which it had been previously surpassed in figures being the great wheat-export year ending July 1, 1892, when our exports passed the billion-dollar mark.

In the recent period of rising exports the gain has been largely due, as already remarked, to our manufactures. In 1890 our manufactures formed but 17.8 per cent of our exports. But from 1895 the proportion of manufactured exports rose rapidly. Even in 1899 when our agricultural exports were so large, owing to the large crop of 1898, the exports of manufactures were rising still more rapidly, reaching 29 per cent. of the total exports; and in 1900 they rose to 31.6 per cent. Owing to the rise in the prices of manufactures, foreign purchasing has been discouraged, and the proportion of manufactures exported has not kept quite so high, but the more recent falling off is not alarming, the proportion still reaching 29.7 per cent. for 1902.

"In the eight years since 1895 the increase in the exportation of manufactures has been nearly three times as much as in the fifteen years immediately prior to 1895."

The inspired and officious press items that emanated from government statistical bureaus used to lay great stress on our surplus of exports over imports. This sweet but siren song is not so often heard, and it is well that it is not. The idea that we

can sell continually without buying is not a wholesome one to preach; and that we are beginning to collect our foreign credits in form of merchandise is not a bad sign. For 1901 this surplus was 664 million dollars. By July 1, 1903, it had declined to 384 millions. We have to go back to 1897 to find a smaller surplus; in fact, if we consider only our trade with England—a country which it was supposed by the extremists that we had so far distanced as to render it wholly a buyer and no longer a seller—it turns out for 1903 that the excess of our exports to it over our imports from it is no larger than it was in the year 1892—a year in which “political orators thrilled the country with pictures of England’s deluge of merchandise, emptied on our shores and wholly destructive of our domestic industry.”¹

However, we have as yet witnessed no diminution in our total trade—that is, in the sum of our exports and imports, and that is the chief thing. In principle it matters little whether at a given moment there be an excess of imports, provided they be capital goods and not luxuries. The total trade of 1903 is 135 millions larger than that of 1900, when it was larger than in any previous year. And it argues against real crisis conditions that exports were nearly as large as in 1901, when they were larger than in any previous year, being only 60 millions less, or \$1,419,991,290. But, on the other hand, imports of clocks and watches, diamonds, laces, and spirits have again for the first time risen to the extravagant figures of 1893.

It is a remarkable fact, however, and one that testifies to the wealth of Europe, that one-half of the manufactures of the United States go to Europe. It is also remarkable that our exportation of manufactures to Europe has increased nearly threefold from 1892 to 1902. Of our 403.5 millions of exports of manufactures in 1902 one-half went to Europe, about 100 millions to Canada and to the rest of North America, while the larger part of the remaining 100 millions went to Asia and South America. The increase of our trade with Asia since the close of the Spanish war has been remarkable. In 1898 we exported 9.1 millions worth to China, and in 1902 we exported 23.1 millions.

¹ *Evening Post*, August 1, 1903.

Our increase of trade with Japan, however, is due to an export of raw material: the Japanese import increasing quantities of American cotton, which they prefer to the Indian product, to feed their growing cotton manufactures.

Our domestic exchanges are thirteen times as great as our foreign commerce. Nor, as has been shown, has our foreign commerce grown so fast as that of foreign countries; only the last half-dozen years have shown a tendency to improvement in this respect. Consequently, the interest in our foreign commerce is rather in its quality than its quantity. The make-up of our exports and imports is an index of what is going on in trade circles at home. In 1820 manufactures formed 71.4 per cent. of our imports; in 1902, 39 per cent. In 1820 manufactures formed 7.5 per cent. of our exports, and in 1902, as already stated, they formed 29.8 per cent.

It was to be expected that we would import less manufactures and export more. Otherwise we should hardly have been a progressive people. Whether this progress has been the work of the protective policy is not now under discussion, and it is very difficult either to establish or deny. It still holds true, however, that manufactures play a larger part in imports than in exports, even though copper and perhaps other articles are not counted in manufactures, *when imported*.

Among our exports of manufactures the most important is iron. In 1890 we exported 25.5 million dollars' worth and in 1900, 121.9 millions' worth. In 1902 this item was reduced to 98.5 millions. It is often said that this reduction is due "to excessive home demand for iron and steel manufactures." While this statement is true, it is but a part of the truth. Prices were reduced in Europe, especially in Germany, due to the commercial depression there, while they were raised so high in the United States by speculative inflation as to preclude exportation. As a matter of fact, the importation of manufactures of iron into the United States more than doubled in the four years from 1898 to 1902 (from 12.6 to 27.1 millions). The largest previous importation was 28.9 millions in 1892.

As to manufactured exports again, our other chief items are

petroleum, copper, cotton, boots and shoes, and agricultural implements. Mineral-oil exports increased from 44 millions in 1890 to 68 millions in 1900 (but 66 millions in 1902). Copper exports rose from 2.3 millions in 1890 to 57 millions in 1900. The increased market for copper was found in Germany, where the electrical industries made such rapid strides in those years; and, notwithstanding the crisis in that country, and the temporary decline of our copper exports, resulting in almost a panic in the Boston copper market, we have in Germany a permanent customer for our copper. The Germans freely acknowledge that they cannot get along without American copper.

There was also some importation of copper, rising from 3 million dollars in 1898 to 10.9 millions in 1902. Notice that for purpose of exportation, copper, ingots, plates, and bars are classed as manufactures, while when the statistical writers in the employ of the government speak of the importation of ingots, plates and bars, they speak of them as manufacturer's materials. Now, a protective tariff is meant to foster the production and exportation of manufactures, while the official doctrine is gaining ground that it is consistent with an increased inflow of materials, raw or partly manufactured. In the case of copper, then, the official argument is that it is a manufacture when it is exported, but a material when it is imported; and to the tariff the praise is given in both cases!

The next export in order of importance among manufactures is cotton, which has risen from 10 million dollars in 1890 to over 30 millions in 1902. This increase is partly due to the trade with China, which rose from 3.8 millions in 1892 to 14.3 millions in 1902. Our exports of boots and shoes, a most ancient American industry, have grown enormously. In 1895 we exported only 822 pairs; in 1900, 3 million pairs; in 1902, 3.9 million pairs. A traveler in Europe sees American shoes of good grades on exhibition in shop windows everywhere. Of agricultural implements we exported in 1890 $3\frac{3}{4}$ millions' worth, and in 1902 $16\frac{3}{4}$ millions' worth. The most of this is made up of mowers, reapers, plows, and cultivators. Our threshing machines are less sought abroad. One reason is that France, the greatest

wheat producer next to the United States, and perhaps Russia, is successful in the manufacture of threshing machines, while she has been unable to manufacture the other agricultural implements of equal excellence with the Americans.

If we intend to study the probable course of our future trade relations, it will be interesting to prepare ourselves by noting the different parts of the world where our customers live. In other words, we have to note the destination of our exports, and what is the character of the trade with our different customers. Of our total exports in the year 1902, 72.9 per cent. went to Europe, 14.7 per cent. to North America, 2.7 per cent. to South America, 4.6 per cent. to Asia, 2.4 per cent. to Oceania, and 2.4 per cent. to Africa. Of course, it is but natural that the bulk of our trade should be with the wealthiest region—Europe. We cannot sell where purchasing power is lacking. What, however, do we send to Europe and the other continents? The idle talk about the American invasion of Europe implies that we send things similar to those produced there; but statistics tell a very different story, for manufactures form only 20 per cent. of our exports to Europe, quite 52 per cent. of our exports to North America, 68 per cent. of our exports to Asia, and fully 80 per cent. of our exports to Oceania. So far the rule holds, then, that we send a smaller proportion of manufactured exports to the older countries which manufacture for themselves.

This rule does not hold for South America and Africa quite so strongly, for but 62 per cent. of exports to South America are manufactured, and 33 per cent. of our exports to Africa. These countries are not more civilized than Asia and Oceania, but exhibit a comparative preference for European goods—a preference due to traditional tastes and connections. South America has no sentimental nor historical affinities with North America, except in the dreadful examples of rebellion, revolt, and civil war. South Americans are Latin peoples; they dislike the United States and its people; they regarded with horror the victories of our arms over Spain in 1898, and only by poverty were restrained from joining hands with the Spaniards, even at the expense of Cuban independence. Their mother-country is the European

continent, whose merchants have always been among them. They are as near to Europe geographically as to the United States. Of our exports of manufactures to Europe about one-half go to the United Kingdom. The hard times on the continent since 1900 have caused a falling off in our exports of manufactures thither. For instance, the electrical crisis in Germany has caused a falling off in our copper exports to that country from 10.9 million dollars to 6.8 millions (1902).

Notwithstanding the notable increase in our exports of manufactures, our importation of manufacturers' materials exceeds slightly our exports of manufactures. In other words, we may, if we choose, look upon our exports of manufactures as a means of paying for our imports of manufacturers' materials, which are to be used largely in producing commodities for home consumption. Thus we see again that our foreign commerce is but an incident in the total production and exchange of the country.

It still holds true that our chief class of exports is agricultural. 57 per cent. We are therefore far from reaching the state of a non-agricultural, exclusively manufacturing nation. While America's exports of manufactures are about 30 per cent. of her total exports, England's amount to about 85 per cent.

The colossal fact in British economics is the shipping industry and carrying trade, which equal those of the rest of the world combined. The transportation interests of the United States are not less important. That they are on land and not on the sea does not lessen their productivity. The railroads of the United States are nearly equal in mileage to those of the rest of the world. Our railroads therefore may be fairly set over against England's merchant marine; but really our railroads are a much greater item of national strength, for they operate wholly within our own territory, and carry our own wealth exclusively, while England's ships navigate the open seas as the public carriers of foreigners. The more railroads there are, the greater are the regions open to agriculture, mining, and population, and the wider are the markets. Our railroad building has been more phenomenal than that of any other country.

The older countries should naturally have provided themselves

first with the improved transportation. They had the population and the products, and would seem to have needed it most. But their capital was engaged in other methods; they were already interested in great systems of national wagon-roads, and cheap transportation suddenly introduced would derange vested interests. Moreover, Europe was most convenient for sea commerce. The new and sparsely populated country, on the other hand, offered a free field for enterprise, and the railroad became, not, as in Europe, a means of revolutionizing industry, but a means of developing a new country, where even decent wagon-roads were lacking. However, at the very first Europe did take the lead in railroad building.

From 1870 to 1880 Europe and the United States each added 48 thousand miles, leaving Europe ahead in 1880 with 101.7 thousand miles, the United States having but 93.6 thousand miles. But Russia, the great grain producer, increased its lines only from 7 thousand to 14 thousand miles. In the decade from 1880 to 1890 Russia and India made but small extensions of their railway systems. But both of those countries are supplied with river and ocean navigation facilities, and we are not surprised to find India entering into active competition with the American Northwest in the first part of the decade, and Russia in the latter part. Then Argentina also entered the world-market suddenly and vigorously.

From 1880 to 1890 the United States had increased its lines from 93.2 thousand to 166.7 thousand miles, or 7 thousand miles a year. After 1880 Europe added to its mileage hardly more rapidly than before, and by 1888 had increased to only 130 thousand, and the United States was already far ahead. By 1900 the United States had increased its mileage to 194 thousand, and by 1902 to 202,471 miles. By 1897 Europe had increased its lines to 161.2 thousand miles. At that time the United States was still 21.4 thousand miles ahead. At the same date, while Europe had 161.2 thousand miles, all America had 232 thousand miles, and the world 402.2 thousand miles. It will thus be seen that the whole world had little more than twice as much mileage as the United States alone. This certainly is a fine showing for the

United States. Notwithstanding all the financial disappointments which have been connected with railroad development in this country, it can be said in general that the American railroads are not only incomparably more extensive than those of any other country, but also unsurpassed in efficiency, although probably some features of the best European lines are superior.

As to shipping, it appears that Americans have ground for condolence rather than congratulation from the mercantile point of view. It is true that our total tonnage is, next to England's, the largest (5.2 million tons compared with 9.6), but it is almost entirely devoted to domestic commerce.

As to shipbuilding, in 1900 but one steel steamer was built in the United States for foreign trade. The zenith of American shipbuilding was reached shortly before the Civil War. We have protected the construction of American ships excessively, but have not protected their operation. Experience proves that we cannot successfully protect the construction without protecting the operation. In order to sell ships to an American marine we must first have the marine. Our treaty relations with foreign countries at the beginning of the nineteenth century permitted tariff and tonnage discriminations against foreign bottoms. This policy was inherited by the new republic from the old régime and was practiced with great success up to 1820. After 1820 our superiority in wooden construction made all protection unnecessary; but when, after 1860, we needed protection for our metal-shipping industries, we seemed to be unable to revive the discrimination against foreign ships. In fact, discriminative duties have become obsolete and discriminating tonnage- and port-dues are not favored by modern treaties. May we infer that protection to shipbuilding is obsolete also? In any case, protection must be thoroughgoing or it is not protection.

We need five million tons of shipping to carry on our foreign trade. We have, however, only five million tons altogether, and that is restricted to our own waters and domestic commerce. At the rate of only 29 thousand tons built in 1900, we could supply but a very small part of the up-keep of this tonnage from our own shipyards. In 1899 the United States built only 193 steel

steamers, with a tonnage of 237,379 tons. The same year England built 567 steel steamers, with a tonnage of 1,341,425 tons. From 1890 to 1900 the tonnage entering our own ports increased 53 per cent. In that decade the world built 12 million tons of ocean-going steamers, England built 9.7 million tons, and the United States built 206.7 thousand tons!

Of course, it is not necessary that we do our own carrying trade. The argument is perfectly correct that we cannot be expected to supply our own wants at home, and have a commerce besides. Anyhow, shipping is not commerce, but is merely a branch of industry, one phase of the industry of transportation. But upon those persons who think that we ought to supply our own wants wholly from domestic production and carry on a big trade besides (a problem which students have always looked upon as of the boot-strap order) it is worth while to impress a few of the things in which we are not ahead of all the rest of the world. In this connection it is worth noting that our great port of New York is suffering a decline. Its exports of the great staples have fallen off considerably. Comparing the periods 1873-77 and 1894-98, we find that, whereas in the former period New York exported 64.9 per cent. of our flour, wheat, and corn, in the latter it exported only 40 per cent. The same comparison for Philadelphia shows also a slight falling off (from 12 to 10.6 per cent.). It is true that in the same period Boston, Baltimore, Norfolk, and Newport News, as well as the Canadian ports, have made great gain.

New York's proud position as the great port of the country was largely due to the bold construction of the Erie Canal in 1825. Notwithstanding that this canal has been enlarged at different times, it has proved inadequate. The proportion of the staples coming to New York by canal fell from 26.3 per cent. of the Atlantic exports to 7.7 per cent. in the same period, 1877-98. After careful study of the situation, the legislature of New York has resolved to expend 100 million dollars in the construction of a new canal which shall double the present depth of six or seven feet and allow the passage of vessels of 1,000 tons, instead of the present canal boats of 200 tons.

While, however, the city of New York is struggling to regain its position as the great port for exportation of our cereals, it has become perhaps the greatest financial center of the world. It has loaned money to foreign governments and institutions, its gold reserves are twice those of the Bank of England and nearly equal to the famous treasure of the Bank of France, and its deposits have risen from 442 million dollars in 1889 to 963 millions last February (1903). This increase in deposits is much greater than the increase in money value of products of the country. Again, the increase in money value of products is doubtless far greater than the increase in the number and weight of products. The increase in financial transactions therefore exaggerates greatly the increase in production, and this exaggeration itself is a great danger to progress and prosperity.

In the height of the European crisis of 1901 appeal was made to this country for funds, and met with ready response. For the first time America loaned to Europe on a large scale, and in transactions purely financial, not mercantile. The exaggeration of jingoism immediately heralded loudly what was called the transfer of the money center of the world to New York. That we had been definitely received into the great financial group of countries was unquestionable; but the cooler heads knew that we could not always be financial lenders, while the more skeptical doubted whether, on the whole balance, we were at any time at all on the creditor side. By 1902, a year later, our deep indebtedness to Europe again was a financial commonplace; and in the decisive stock slump of the past summer it is European buying that has kept our securities from falling lower than they have, while European loans were all that held the crisis off during the winter and spring of 1903.

Already in the fall of 1902 our bank over-expansion had become matter of comment in semi-official circles. Comptroller Ridgeley said at New Orleans at the American Bankers Association, November 11, 1902:

The clearing transactions have increased from 54 billion dollars in 1897 to 114 billion dollars in 1901, an increase of 60 billions. That is, they have more than doubled. . . . The percentage of legal reserve to deposits in the

reserve cities required to hold 25 per cent. has fallen from 32.08 per cent. in 1896 to 24.21 per cent. in 1902, and at the last call for report of condition not one of the central reserve cities and only seven out of the thirty reserve cities held the full legal reserve.

The expansion continued unchecked all last spring.² American credit is dangerously inflated. The wild stock-watering that has been going on in the last few years and the rise in prices have led to a bank expansion which is, perhaps, as great as any that has ever been witnessed in this country, and it must be that the responsibilities of finance are in unusually strong hands, and that the industry of the country is extraordinarily well organized, if we can escape a general financial crisis or can confine to financial circles the crisis that has occurred.

We are the wealthiest nation—a good thing if we know how to use wealth; otherwise a calamity. Wealth implies nowadays much knowledge and technical skill, and those attainments of themselves denote some steps in advance in the essentials of human progress; but technical knowledge and skill are not to be the final flower and product.

Our foreign commerce was at one period our most important industry; today it is comparatively unimportant, having grown little in the last hundred years relatively to that of other countries, and still less relatively to our increase of population. Little Holland, which has but one two hundred and thirty-fourth of the area of the United States, has a foreign commerce equal to 67 per cent. of that of the United States. The enormous increase, however, in our domestic commerce is commensurate with our growth in wealth and with the extension of the vast transportation system within our own domain and almost wholly at the service of our own commerce; moreover, the extension of our domestic shipping on inland waters has made us the second nation in water transportation, although our ocean-going shipping is insignificant. Domestic shipping is as exclusively devoted to domestic commerce as is our railway system.

During the last few years, however, an unusual activity has been manifested in our foreign commerce; and it has expanded

² See *Monthly Summary*, June, 1903, p. 4506.

more rapidly than that of other countries. There was room for expansion, and it is to be hoped that the movement is not yet at an end. On the other hand, one of the phases of this expansion that attracts most attention is at an end—the remarkable increase of the surplus of exports over imports. That this surplus has returned to normal proportions without a corresponding decrease of total trade is matter for congratulation; and yet we cannot rest in the assurance that foreign trade may not again recede; stagnation in home industry, a period of depression, would surely affect it. On the other hand, it may be said with truth that whenever our foreign trade has gained in volume—and it has steadily, though slowly, gained from early times—there has never been permanent or prolonged retrogression.

Undoubtedly the late period of unusual exports of manufactures to Europe denoted a very sharp competition. The issue was whether or not certain products, some of them staples and some specialties, were to be permanently supplied by the United States, thus forcing foreign manufactures to change their activity into other lines or to transfer their workshops to this side of the Atlantic. Such competition is quite unavoidable. It does not prove that we are permanently to win in every case; much less that the possibly excluded competitor will not find some other and more profitable investment. Such a result would be as injurious to us as to the foreign country, for it would deprive us of a customer. The ups and downs of business, occurring in different countries at different times, cause a relative variation of prices in different countries, which affords a temporary advantage in selling now to one country and now to another, entirely apart from the permanent economies of production.

Europe still distrusts our financial stability. But, financial power surely comes with surplus products and multiplied exchanges. We can mingle in European finance only so far as we either have or expect to have a foreign trade, for foreign trade credits are the basis of foreign financial operations or the result of them; and thus the increase of our total foreign trade has a wide international bearing.

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